As Application Management Services (AMS) delivery models continue to evolve, one area of special interest to IT organizations is the transition from build to operate. Like any big handoff, this transition can carry significant costs and risks. That partly explains the growing shift toward solutions that are integrated across the application lifecycle – sometimes through a single vendor, but not always. Transitions that are designed with long-term, future results and a clear end state in mind are far more likely to produce sustainable value.

**What can go wrong?**
AMS would be a lot easier if the transition to “operate” could be a non-event, a seamless flow of knowledge and talent from one phase to another, with no balls dropped and no handoff costs incurred. But that’s not how it works. There are real and practical challenges to manage – as you well know. Here are some of the factors that make those challenges more difficult:

- **Starting without a clear end state in mind.** In the frenzy of design and build, companies often fail to visualize the desired end state for their applications. Without that view in mind, it’s impossible to plan and execute an effective transition.

- **Falling behind the curve.** Many organizations don’t recognize the need for AMS support until late in implementation or immediately after go-live. This creates an environment where a lean AMS team must jump into support before processes are defined and understood by everyone involved. These organizations often underestimate the importance of knowledge transfer, and overestimate the quality of their processes for engaging a third party. The result? They incur the cost of keeping expensive business and implementation resources engaged for longer than necessary.

- **Fuzzy processes.** While there can be great value found in fuzzy math, that’s not the case with fuzzy processes, especially in the areas of configuration management, release management, problem management, testing approaches, and resource capacity management. An AMS operations guide may exist, but it’s likely to have such high-level information that individuals can’t get to the bottom of details like who, what, when, and how.

- **Poorly collected and documented knowledge.** Many organizations cut corners on the hard work of documentation and creating a well-structured knowledge repository. That hinders capabilities down the road as support teams change over time.
• Over the wall. During the time before and immediately after go-live, organizations rarely have the availability to help plan and manage the transition process. Client input is critical in rationalizing existing processes, governance, and tools – and formalizing the same for the future. Too many client teams are ready to check out too early.

• Ignoring near-term enhancement needs. Oftentimes, AMS teams are just starting to win the hearts and minds of business stakeholders when it becomes time for their first enhancement development and deployment. This opens the team and client to significant risk – and presents credibility issues at the absolute worse time for the support team, right when they were beginning to get some traction. First enhancements should be baked into the transition plan. Each of these challenges creates risks and costs that can be managed with the right approach. The key is clear processes and just enough continuity of resources. But even working with a single vendor doesn’t necessarily mean you’ll get the savings and risk mitigation you want. In many cases, transitions across different teams inside the same vendor organization bring just as many challenges as working with a single vendor doesn’t necessarily mean you’ll get the savings and risk mitigation you want. Whether you’re outsourcing applications to a single vendor, working across multiple vendors, or going it alone, the same critical considerations apply in managing effective transitions. Here are the qualities you’ll want to see in your transition team:

Is this your approach to balance?

Managing cost vs. managing risk
Finding the right blend of resources can be harder than it looks. Squeeze too hard and you end up with a low-cost outsourcing model that’s completely disconnected from design and build, leaving invaluable knowledge on the outsourcing floor. Don’t squeeze hard enough and you’ll be paying for over-powered resources that are hard to cost justify. The middle ground – a model that transfers a critical mass of design/build resources into operations management – it is the most effective place to land. And that requires a value mindset with performance measures focused on achieving specific business objectives. If you’re working to reduce transition costs and risks, here are some of the characteristics you should look for in your design, build, and implementation teams and processes:

Managing cost
• "Operate" dedicated resources
• Build the required knowledge repository
• Maintain highest possible levels of project knowledge continuity
• Pull high levels of implementation resources through into the operate model
• Disconnect between staffing model and standard career models

Managing risk
• Value mindset with performance measures
• Build the required knowledge repository
• Execute knowledge transfer, perform on-the-job training (Show Me), and confirm through reverse shadowing (Show You)
• Define deliverable acceptance and exit criteria

Is this your approach to balance?

Core deliverables and activities

How to manage effective transitions
Whether you’re outsourcing applications to a single vendor, working across multiple vendors, or going it alone, the same critical considerations apply in managing effective transitions. Here are the qualities you’ll want to see in your transition team:

• Transition experience. If there’s one area where experience counts, transition planning is it. If your team doesn’t understand the levers that are available – and how to use them to drive smart decisions – you’ll never get the value you expect.

• Platform experience. Create teams of people who are fully dedicated to the specific applications you’re using. Generic resources will not come to AMS with the knowledge you need.

• Business experience. Many AMS vendors have people who don’t understand and can’t speak the language of business. That leads to errors, higher costs, risks, and frustration.

• Metrics alignment. What gets measured gets done. If you want AMS resources to add significant value, be sure to establish a set of value-level metrics to track performance.

• Team continuity. Look for an integrated implementation and support model, where a critical mass of talent bridges the gap between build and operate. Experienced teams understand that there are four critical phases of transition planning and management. Above is a quick view of the core deliverables and activities associated with each.
Accelerated handoffs mean more value

Like so many other things in business, effective transitions in AMS are a function of having the right people motivated to do the right things. In the world of Application Management Services, those “right things” get defined in the contract itself.

The likelihood of accelerated handoffs increases greatly when the design/build vendor is also delivering ongoing support. It increases again when resources responsible for implementation in the vendor organization are carried over as part of the AMS outsourcing team. That kind of team continuity is critical in managing the main value levers for effective AMS: retaining knowledge, reducing transition costs, and managing operating risk.

Think “relay race”

If you’ve ever watched a relay race, you know there are three critical elements in winning: getting off to a strong start, smooth handoffs between runners, and driving to the finish line. All three elements are relevant for effective transition planning.

This means having the right team on the track with crystal clarity about who’s doing what and when. It also means mastering handoffs. These are critical opportunities to accelerate – but they come with big risks, too.

The most effective handoffs happen when the new runner gets up to full speed before taking the baton. That’s a great metaphor for the importance of knowledge transfer to those who will be managing the application post go-live. When it’s handled properly, there’s no gap in knowledge between the build team and the operate team – just a smooth flow from one phase to the next.

Many organizations view “going live” as the end of the race – and that’s always a mistake. If your team lets up at that point, they’ll struggle to establish a stable system that is fully transitioned to the support organization. Go-live is a mile marker, not the finish line.

One smart way to make sure these three elements are firmly in place is to designate a transition lead who oversees all the elements from planning through final transition. Keep this critical role in house.

Maybe in the future, application lifecycles will unfold without the need for handoffs and transitions. But in today’s reality, transitions are a fact of life that can generate excessive costs and risks if not managed carefully. Our disciplined methodology for structuring transitions is a tested model that balances cost-reduction and risk mitigation to help accelerate speed to value.

Contacts

Larry Calabro  
Principal  
Deloitte Consulting LLP  
lcalabro@deloitte.com

Ray Ignacio  
Principal  
Deloitte Consulting LLP  
aignacio@deloitte.com

Jay Miller  
Director  
Deloitte Consulting LLP  
jaymiller@deloitte.com

Victor Eakins  
Senior Manager  
Deloitte Consulting LLP  
veakins@deloitte.com

This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.


Copyright © 2010 Deloitte Development LLC. All rights reserved.